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8 IN THE UNITED STATES DISTRICT COURT
9 EASTERN DISTRICT OF CALIFORNIA
10

11 UNITED STATES OF AMERICA,

12 Plaintiff,

13 v.

14 APPROXIMATELY \$340,294.27 SEIZED
FROM WELLS FARGO BANK ACCOUNT
15 NUMBER 2508100126,

16 Defendant.

VERIFIED COMPLAINT FOR
FORFEITURE *IN REM*

17 The United States of America, by and through its undersigned attorney, brings this complaint and
18 alleges as follows in accordance with Supplemental Rule G(2) of the Supplemental Rules for Admiralty
19 or Maritime Claims and Asset Forfeiture Actions:

20 **NATURE OF ACTION**

21 1. This is a civil action *in rem* to forfeit to the United States Approximately \$340,294.27
22 seized from Wells Fargo Bank account number 2508100126 (hereafter "defendant funds") involved in
23 violations of wire fraud.

24 2. The defendant funds were seized by the Federal Bureau of Investigation ("FBI") on or
25 about October 21, 2022, pursuant to a federal seizure warrant. The defendant funds are currently in the
26 custody of the U.S. Marshals Service, Eastern District of California.
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28

JURISDICTION AND VENUE

3. This Court has jurisdiction over an action commenced by the United States under 28 U.S.C. § 1345, and over an action for forfeiture under 28 U.S.C. § 1355(a).

4. This district is a proper venue pursuant to 28 U.S.C. § 1355 and 28 U.S.C. § 1395(a) because the defendant funds were seized in this district.

FACTUAL ALLEGATIONS

The Paycheck Protection Program

5. The Coronavirus Aid, Relief, and Economic Security (CARES) Act is a federal law enacted in or about March 2020 and designed to provide emergency financial assistance to millions of Americans who are suffering the economic effects caused by the COVID-19 pandemic. One source of relief provided by the CARES Act was the authorization of up to \$349 billion in forgivable loans to small businesses for job retention and certain other expenses, through a program referred to as the Paycheck Protection Program ("PPP"). In or about April 2020, Congress authorized over \$300 billion in additional PPP funding. The PPP is administered by the U.S. Small Business Administration ("SBA"), which is an executive agency of the United States.

6. To obtain a PPP loan, a business must submit a PPP loan application (SBA Form 2483), which is signed by an authorized representative of the business. The PPP loan application requires the business (through its authorized representative) to acknowledge the program rules and to make certain affirmative certifications regarding its eligibility.

7. In completing a PPP loan application, the applicant places their initials on a line next to the statement:

I further certify that the information provided in this application and the information provided in all supporting documents and forms is true and accurate in all material respects. I understand that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under the law, including under 18 U.S.C. §§ 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 U.S.C. § 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a federally insured institution, under 18 U.S.C. § 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.

8. In the application, the small business's authorized representative must also provide,

1 among other things, the business's: (a) average monthly payroll expenses; and (b) number of
2 employees. These figures are used to calculate the business's eligibility and the amount of money it
3 may receive under the PPP. In addition, businesses applying for a PPP loan must provide
4 documentation showing their payroll expenses such as Internal Revenue Service (IRS) Form 941. IRS
5 Form 941 is an employer's quarterly federal tax return disclosing payroll information including number
6 of employees, wages paid, and tax withholdings.

7 9. A PPP loan application must be processed by a participating lender. If a PPP loan
8 application is approved by the lender, that lender funds the PPP loan using its own monies, which are
9 100% guaranteed by the SBA. Participating lenders require that the information provided in PPP loan
10 applications be truthful, including information about the applicant business's number of employees and
11 payroll expenses.

12 10. Information from the PPP loan application, including information about the borrower,
13 the total amount of the loan, and the listed number of employees, is transmitted by the lender to the
14 SBA in the course of processing the loan.

15 11. PPP loan proceeds must be used by the business to retain workers and maintain payroll;
16 or to make payments for mortgage interest, rent, utilities, covered operations expenditures, covered
17 property damage costs, covered supplier costs, and covered worker protection expenditures as specified
18 under the PPP rules. The PPP allows the interest and principal on the PPP loan to be forgiven if the
19 business spends the loan proceeds on these items within a designated period of time (usually within
20 twenty-four weeks of receiving the proceeds) and uses at least 60% of the PPP loan proceeds for
21 payroll costs.

22 **Summary of Wire Fraud Violations**

23 12. In September 2021, the FBI received information concerning a business, Redd Food
24 Service, LLC ("Redd Food Service" or "Redd's Food Service"), that was alleged to have illegally
25 applied for and received a PPP loan. The FBI reviewed the information and investigated whether the
26 business was in operation on February 15, 2020, as required by federal statute. The FBI determined
27 that Redd Food Service likely was not in operation on February 15, 2020 and therefore initiated a
28 formal investigation.

13. The FBI queried www.FederalPay.org to determine if Redd Food Service received a PPP loan. FederalPay.org states on its website that it collects and hosts "publicly released PPP loan company data from the SBA." The information from FederalPay.org indicated that Redd Food Service received a \$708,000 PPP loan, Loan #3813968705, from MBE Capital Partners, LLC ("MBE") on March 31, 2021.¹

14. The FBI contacted MBE who confirmed that they extended a PPP loan to Redd Food Service in early 2021. MBE stated that Redd Food Service provided the necessary documentation for a PPP loan, including the PPP Borrower Application and IRS Schedule C Form 1040 and based on this information, MBE processed a PPP loan of \$708,000. Particularly, the loan funds were processed via a \$708,000 wire transfer on April 6, 2021, from MBE's bank account to a checking account for Redd Food Service, and a promissory note in the same amount signed by "Shadieja Redd" on April 1, 2021.

15. Redd Food Service's PPP Application identified the applicant as "Redd Food Service" located at 1620 Sunnydale Avenue, San Francisco, CA. An individual named "Shadieja Redd" (hereafter "Redd") was listed as the Primary Contact. The PPP Application indicates that Redd Food Service had three employees and average monthly payroll of \$28,330. The PPP Application further indicates that the purpose of the loan is for "payroll costs".

16. Redd Food Service's tax documents submitted in support of the PPP loan identify the proprietor as "Shadieja Redd," the business as "Redd Food Services," a business address of 1620 Sunnydale Avenue in San Francisco, and an Employer ID number ("EIN") of 862563596. The business is described as a "Food Services (Food Truck)" with gross sales of \$550,000, wages of \$240,000, and total expenses of \$279,000.

17. The California driver's license submitted to MBE reflects the licensee to be Shadieja Sashanique Redd with an address of 1620 Sunnydale Ave., San Francisco, CA. FBI agents have conducted surveillance of 1620 Sunnydale Avenue in San Francisco, which revealed the address was an apartment complex.

18. The ACH record from Wells Fargo, where Redd Food Service maintained a bank account, shows a \$708,000 transfer from MBE's bank account on April 6, 2021. The ACH transaction

¹ www.federalpay.org/paycheck-protection-program/redd-food-service-san-francisco-ca (last visited March 2, 2023).

was processed in Shoreview, Minnesota, and resulted in a credit to Redd Food Service's Wells Fargo bank account, an account held in Redd's name and a listed address on Georgia Street in Vallejo, California.

19. The SBA issued a Promissory Note for the \$708,000 PPP loan, listing "Shadieja Redd" as the borrower. Among other terms, the Promissory Note states the "Borrower must pay principal and interest payments of \$14,541.34 every month, beginning seven (7) months following the date of disbursement of the Loan," and "Borrower is in default under this Note if Borrower does not make a payment when due under this Note." The Promissory Note was electronically signed by "Shadieja Redd" as "owner".

20. According to the City of San Francisco, a food truck business can potentially require eleven permits to legally operate, including a Business Registration Certificate, a Mobile Food Facility Permit, and a Manager's Food Handling Certification. FBI agents searched public databases, as well as municipal, County, and State of California records for any permits or licenses held by Redd Food Service, Redd's Food Service, Redd Food Services, Redd Food Truck, and/or Shadieja Redd. No records were found.

21. FBI Agents analyzed records from the California Department of Tax and Fee Administration, the agency responsible for collecting sales and use taxes for businesses operating in California. The State of California determined that it could not locate any records associated with Redd Food Service.

22. FBI agents utilized a search of public records using a nationwide database, managed by LexisNexis and known as Accurint, for any filings or business records associated with Redd Food Service. The FBI learned:

- The EIN used by Redd Food Service to obtain a PPP loan was likely false as EIN 862563596 yielded negative results.
- A nationwide query of the business name revealed the formation of a Limited Liability Corporation (LLC) in Texas known as Redd Food Service, LLC on April 7, 2021. The corporate documents from Texas identify "Shadieja Redd" as the Registered Agent, Manager, and Organizer of the LLC. The LLC's address is listed

as 8282 Cambridge, Houston, Texas 77054, which is a residential apartment complex.

23. FBI agents have reviewed Redd Food Service's bank records for the period when the company received the PPP loan funds, which revealed it was a sham business with a connection to Houston, Texas:

- The account was active for just over two months, from March 9, 2021 to May 19, 2021. Other than the \$708,000 PPP loan from MBE and subsequent transfers of PPP loan funds, the deposit and withdrawal history was minimal, with about \$5,000 of deposits and \$4,800 in withdrawals, mostly small, personal transactions taking place in San Francisco.
- On April 14, 2021, after receiving the PPP funds, Redd transferred \$354,000 to a JP Morgan Chase account held by an individual known as "S.P." The \$354,000 was directly traceable to the \$708,000 PPP loan. JP Morgan Chase records indicate the originator of the \$354,000 wire was "Shadieja S Redd" from Vallejo, California and describe the purpose of the wire as "Commer Cial Building Purchase 8282 Cambridge Houston TX".

24. FBI agents reviewed S.P.'s bank records for the period after receipt of the \$354,000 from Redd Food Service. S.P.'s bank account was opened on February 21, 2020 with an address on Decker Drive in Baytown, Texas, a suburb of Houston. In the days following the wire transfer, S.P. withdrew all but \$26,000 of the funds, wiring large amounts of money to individuals with no known association to a San Francisco-based food truck. Particularly, S.P. transferred \$145,000 to an individual with initials "M.J.", \$100,000 to someone known by initials "K.B.", and an \$89,000 cashier's check made payable to "On Top Tax Services LLC".

25. FBI agents also reviewed bank records associated with M.J. and K.B., the two individuals who received \$145,000 and \$100,000 in PPP funds originating from Redd Food Service. The bank records for M.J. and K.B. show the funds sent from S.P. were dissipated through cash withdrawals, expenditures for personal items, and not any business associated with Redd Food Service.

26. On or about January 14, 2022, Wells Fargo suspended Redd Food Service's bank

1 account, the same account that received the \$708,000 PPP loan and wired \$354,000 to S.P. At the time,
2 the account had a balance of \$340,294.27.

3 27. In October 2022, the FBI obtained a federal seizure warrant for Redd Food Service's
4 bank account at Wells Fargo, account number 2508100126. A federal judge in the Eastern District of
5 California found facts existed to support a probable cause finding that the funds on deposit in the
6 account were proceeds of wire fraud, Case No. 2:22-SW-0746-JDP.

7
8 **FIRST CLAIM FOR RELIEF**
9 **18 U.S.C. § 981(a)(1)(C)**

10 28. The above paragraphs are incorporated by reference as though fully set forth herein.

11 29. The United States alleges that the defendant funds were derived from proceeds traceable
12 to an offense constituting a "specified unlawful activity" as defined in 18 U.S.C. § 1956(c)(7), which
13 incorporates the definition of "specified unlawful activity" found in 18 U.S.C. § 1961(1) and are
14 therefore subject to forfeiture to the United States pursuant to 18 U.S.C. § 981(a)(1)(C). Wire Fraud in
15 violation of 18 U.S.C. § 1343, constitutes "specified unlawful activity" as defined in § 1961(1).

16 **PRAYER FOR RELIEF**

17 WHEREFORE, the United States prays that:

- 18 1. Process issue according to the procedures of this Court in cases of actions *in rem*;
19 2. Any person having an interest in said defendant funds be given notice to file a claim and
20 to answer the complaint;
21 3. The Court enter a judgment of forfeiture of the defendant funds to the United States; and
22 4. The Court grant such other relief as may be proper.

23
24 Dated: 3/2/2023

PHILLIP A. TALBERT
United States Attorney

25
26 By: /s/ Kevin C. Khasigian
27 KEVIN C. KHASIGIAN
28 Assistant U.S. Attorney

VERIFICATION

I, Doug McBride, hereby verify and declare under penalty of perjury that I am a Special Agent with the Federal Bureau of Investigation, that I have read the foregoing Verified Complaint for Forfeiture *In Rem* and know the contents thereof, and that the matters contained in the Verified Complaint are true to the best of my knowledge and belief.

The sources of my knowledge and information and the grounds of my belief are the official files and records of the United States, including information supplied to me by other law enforcement officers, an FBI contract forfeiture investigator, and an FBI forensic accountant, as a Special Agent with the Federal Bureau of Investigation.

I hereby verify and declare under penalty of perjury that the foregoing is true and correct.

Dated: 3/2/2023

/s/ Doug McBride
DOUG McBRIDE
Special Agent
Federal Bureau of Investigation

(Signature retained by attorney)